

Tax Bulletin

Tax Bulletin 12-07

Effective Date: July 1, 2007

Re: Alcoholic Beverage Control Amendments

The 2007 Utah Legislature passed Senate Bill 205, Alcoholic Beverage Control Amendments. This bill adjusts statutory markups by the Department of Alcoholic Beverage Control, diverts a portion of gross sales revenues of alcoholic beverages to the school lunch program, and repeals the wine and liquor tax.

Effective July 1, 2007, retail establishments (such as restaurants, taverns, and clubs) licensed by the Department of Alcoholic Beverage Control (DABC) to resell liquor, wine and heavy beer can purchase liquor, wine and heavy beer exempt from sales tax using the resale exemption on form TC-721, Exemption Certificate. When reselling liquor, wine and heavy beer, the seller must collect sales tax at the tax rate in effect for the business outlet location. The sales price is also subject to the 1 percent restaurant tax when sold by business entities located in jurisdictions that have adopted the restaurant tax. The seller must separately state the tax on the sales receipt given to the purchaser.

Retail establishments that have a liquor, wine or heavy beer inventory on June 30, 2007 will have previously paid sales tax on the inventory. To obtain credit for the previously paid sales tax, the seller should take an adjustment on line 6 of the sales tax return, form TC-61, for the period ending June 30, 2007. This adjustment should be subtracted from line 5.

To calculate the adjustment on line 6, take the June 30 inventory cost times .055 and divide by the applicable combined sales tax rate in effect as of June 30, 2007 for the business outlet location. The .055 rate is a factor calculated by DABC to determine the cost of the product before markup that DABC used to calculate the amount of sales tax.

Examples:

- Restaurant located in the city limits of Salt Lake City whose liquor, wine or heavy beer inventory as of June 30, 2007 totals \$200.00 will calculate the adjustment using the 6.85 percent combined sales tax rate:

$$\$200.00 \times .055 = \$11.00 \text{ divided by } .0685 = \$160.58$$

Note: The \$160.58 adjustment is a taxable amount, not the amount of the tax credit.

Restaurant will include \$160.58 as an adjustment on line 6 and attach an explanation.

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Utah State Tax Commission
210 North 1950 West
Salt Lake City, Utah 84134

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- Private club located in the city limits of Park City whose liquor, wine and heavy beer inventory as of June 30, 2007 totals \$200.00 will calculate the adjustment using the 7.35 percent combined sales tax rate:

$$\$200.00 \times .055 = \$11.00 \text{ divided by } .0735 = \$149.66$$

Note: The \$149.66 adjustment is a taxable amount, not the amount of the tax credit.

Private club will include \$149.66 as an adjustment on line 6 and attach an explanation.

Retail establishments can take this adjustment on line 6 of form TC-61 for a liquor, wine or heavy beer inventory on either the June 2007 return for monthly filers or the April-June 2007 return for quarterly filers.

Liquor, Wine, Heavy Beer Inventory Explanation of Adjustment on Line 6

1. Inventory cost as of June 30, 2007..... \$ _____
2. Inventory cost subject to sales tax (line 1 x .055)..... \$ _____
The .055 rate is a factor calculated by DABC to determine the cost of the product before markup that DABC used to calculate the amount of sales tax.
3. Net taxable amount of inventory (line 2 ÷ sales tax rate) \$ _____

QUESTIONS...



E-mail: taxmaster@utah.gov
Internet: tax.utah.gov
Phone: (801) 297-7705
Toll Free: 1-800-662-4335, ext. 7705
TDD: (801) 297-2020

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